

From: Joan Smith
Sent: Friday, January 16, 2004 10:22 AM
To: 'Lila Jaber'
Cc: Greg Fogleman; 'Rubin, Mark'; 'Blundell, Jim'
Subject: Ex Parte: Rural Universal Service

Dear Lila,

Apologies for using e-mail but I thought it might be easier than phone tag.

As you may know, I thought long and hard about consulting after I left the commission. I decided to help Western Wireless and the Competitive Universal Service Coalition on issues before your Joint Board because the issues continue to be very important to me. Encouraging competition and making sure universal service support is being used effectively are two of them.

Please let me give you a perspective on restricting universal service support to the customer's primary line. In the past few years since TA96 states have been setting up their own Universal Service Funds. I was there when Oregon did. Oregon receives no support for Tier I carriers and only a modest amount for rural carriers. Oregon seems to be at that place on the list where our contributions to the USF are about equal to what the state's carriers receive. The legislature determined we needed additional funds.

The Commission and stakeholders struggled with the same issues you face on the Joint Board. We rejected restricting support to residential and small business primary lines. I wish I could tell you there was some huge philosophical reason at the time. There wasn't. The cost of trying to certify which line was the primary line far outweighed the cost of the additional support necessary. It's interesting to note that was before there were significant CLECs in the marketplace. We did spread the costs over as many entities as the FCC would allow. (Something that needs attention, by the way.) There was no public outcry.

Now wireless carriers are interested in entering secondary and rural markets. The first and major hurdle is competing against subsidized incumbents. The question is how to make market entry happen fairly and cost effectively. Here's why I think limiting support to primary lines is not in the public interest.

Wireless carriers, like Western Wireless, represent choice and flexibility in the rural marketplace. Customer choice will bring a new level of efficiency to all carriers as they compete. Supporting all lines will allow competition to flourish because carriers can compete on price and service. No carrier will have the singular advantage of support not available to competitors. Rural customers deserve a choice that is comparable to their urban counterparts.

We are advocating for no line restriction. In this case the additional cost is outbalanced by practical considerations and the benefits of choice in rural America. It is altogether possible that the efficiencies gained through competition will actually and finally begin to slow the growth of the fund.

If you or Greg would like to discuss this issue, please let me know. Thank you so much for your consideration.

Best regards,

Joan

(Hope all is well!)